FISCAL INTEGRITY

Previous Certification Self-Study

1. List all the “corrective actions,” “conditions for certification” or “strategies for improvement” imposed by the NCAA Division I Committee on Athletics Certification (if any) as they relate to fiscal integrity issues. In each case, provide: (a) the original “corrective action,” “condition,” or “strategy” imposed; (b) the action(s) taken by the institution and the date(s) of those action(s); and (c) an explanation for any partial or noncompletion of such required actions. [Note: The institution is not required to respond to recommendations for required actions developed by the peer-review team unless those same recommendations were adopted by the Committee on Athletics Certification.]

2. List all actions the institution has completed or progress it has made regarding all plans for improvement/recommendations developed by the institution during its first-cycle certification process in the fiscal integrity area. Also, describe any additional plans for improvement/recommendations developed by the institution since the first-cycle certification decision was rendered by the Committee on Athletics Certification. Specifically include: (a) the original plan; (b) the action(s) taken by the institution; (c) the date(s) of the action(s); (d) actions not taken or not completed; and (e) explanations for partial completion.

3. List all actions the institution has completed or progress it has made regarding required actions identified by the NCAA Committee on Athletics Certification during the institution’s interim-report process (if applicable) as they relate to fiscal integrity issues. Specifically, include for each: (a) the required action, (b) the action(s) taken by the institution, (c) the date(s) of these action(s), (d) action(s) not taken or completed, and (e) explanation(s) for partial completion.

No corrective actions, conditions for certification or strategies for improvement were imposed by the NCAA Division I committee on Athletics Certification relating to fiscal integrity.

Operating Principle

3.1 Financial Practices

Self-Study Items

1. Prepare a list of all revenue sources for intercollegiate athletics that are under the clear accounting and financial control of the institution. Also, prepare a list of all other sources (i.e., those not under the accounting and financial control of the institution) generating revenue on behalf of the institution’s intercollegiate athletics program, including outside foundations.
A listing of all Sources of Revenue of the Department of Athletics is attached in Fiscal Attachment 1. This list includes a brief description of each source.

Fiscal Attachment 2 includes a spreadsheet entitled FY2002 Operating Revenue Sources by Line Item. This report shows the various revenue sources and the amount of that revenue by sport or by other organizational units of the Department of Athletics for 2001-2002.

An OSU-generated report, Fund Group Summary of Assets, Liabilities, and Equity (GLU0030S-61), lists every fund that is the responsibility of the Department of Athletics, including endowment principal funds, plant accounts, and other non-operating/non-current use accounts. A copy of the report is included in Fiscal Attachment 3. Resources listed on items 1.a. and 1.b. are also reflected in this report.

A list of all other sources which are not under the accounting and financial control of OSU, but which are generating revenue on behalf of OSU’s intercollegiate athletics program is included in Fiscal Attachment 4; these lists are from the external audit reports prepared by Deloitte and Touche for fiscal years 2000, 2001, and 2002.

2. Describe the step-by-step process for budget development and approval, and highlight any areas that may differ from the institution’s standard or normal budgeting procedures. Prepare a separate description for those sources of revenue under the institution’s direct control and another for revenue sources not under the institution’s direct control.

For sources of revenue under the control of Athletics, Athletics must follow the same University rules and policies set for all OSU auxiliary activities. However, Athletics’ budgets receive more oversight and review than most others within the University due to Athletics’ size and visibility.
The University provides a set of Guidelines for Earnings Operations that applies to all "earnings" operations at OSU, including Athletics. Athletics is defined more specifically as an auxiliary operation, a totally self-supporting entity whose customers are students, faculty, staff, or the general public. Their services are considered ancillary to the institution. A copy of the OSU Guidelines for Earnings Operations is attached. (Fiscal Attachment 5) The guidelines provide criteria for establishing an earnings operation, requirements for such operations, and policies for operating surpluses and for charging rates or fees. In addition, the guidelines describe the annual earnings budget process and where specific annual directions can be found on the OSU Web page [www.rpia.ohio-state.edu]. The guidelines also include policies and procedures for handling accounts receivables, tax issues, cost-of-sales, and other related items.

The OSU Office of Resource Planning holds annual meetings for the fiscal officers throughout the University who oversee earnings operations all through the University. The typical agenda of this meeting includes a review of the budget process for the forthcoming year, the budget timeline, and several planning assumptions.

The planning assumptions usually include projected inflation rates, OSU overhead rates, benefits rates for the next year and projected increases in utility rates among other items. Separate documentation is also available that provides guidance on compensation. With the exception of special contractual arrangements that may exist for coaches, Athletics follows the same compensation guidelines as the rest of the University.

Revenue projections for Athletics are developed using ticket prices and golf course fees that have been approved by the OSU Athletic Council and the University Coordinating Council. The Coordinating Council is a group of academic, faculty, and administrative leaders who meet biweekly, under the leadership of the executive vice president and provost, to review and provide recommendations and advice to the president and the president’s cabinet on operational and
budget matters, progress on the OSU Academic Plan, and proposed new initiatives aimed at advancing University priorities.

Other budget projections are made based on information received from the NCAA, the Big Ten Conference, and contracts for the coming year as well as on past revenue performance. When all information has been gathered, operating budget goals for Athletics’ sports and its other units are generally set as a range of standard increases that are possible but which will still provide for a balanced budget.

Athletics provides a budget template for each of its coaches and non-sports unit heads to estimate their budget needs for the upcoming fiscal year. For example, worksheets are provided to estimate budget needs for supplies, clothing and equipment, postage and communications, reprographic services, recruitment expenses, miscellaneous travel, team travel, and other such expenditures. These are rolled up into a summary expenditure budget report. The Associate Athletic Director for Finance and Administration provides the budget figures for costs that are not under the direct control of a coach, but which are attributable to a sport, such as staffing costs and grant-in-aid.

Each year, budgets for each sport and other units are developed based on projections of activity for the upcoming year; they are not based on prior year activity. See Fiscal Attachment 6 for an example of a template that has been completed by a coach, in this case, the coach of women’s basketball. The submitted budgets are reviewed internally within Athletics and revised as necessary to meet the budget goals for the year. Athletics, and all other OSU earnings operations, submits its overall budget to the University each spring. It then is reviewed and eventually approved by the Office of Resource Planning.

In addition to the above budget reviews, the Athletic Council, a standing committee of the University Senate, has a standing Finance and Facilities subcommittee. This committee has
two primary roles: to review the budget of the Department of Athletics, and to review the use and condition of athletic facilities. [http://senate.ohio-state.edu/Athletic.html] The Finance and Facilities Committee conducts annual reviews of Athletics’ proposed budgets for the following year with a particular eye to conformity to OSU policy, conducts a quarterly review of the financial statements of Athletics, maintains an ongoing review of anticipated revenues, and reviews all proposed changes in ticket prices recommended by the Tickets, Fees, and Access Committee.

Once it issues its approval of the Athletics’ budget, the Finance and Facilities subcommittee sends the budget to the full Athletic Council for review and approval. The above levels of budgetary review are not typical and exceed the review received by most OSU budgetary units.

Following these internal review processes, the Senior Vice President for Business and Finance also submits Athletics’ overall budget to the OSU Coordinating Council for approval. Again, this review and those described in 2.k. and 2.l. are levels of review that are not generally received by other earnings budgets at OSU.

Athletics budgets are compiled with all other OSU budgets into an annual Current Funds Budget (CFB) report that is presented to the OSU Board of Trustees. Athletics and two other major auxiliary operations are identified separately in this report while most earnings operations and other OSU budgets are provided in a combined summary. A copy of the 2002-2003 CFB is available for review.

There is no OSU budgeting process for booster contributions made to the Department of Athletics. The funds raised by these groups and then contributed to the Department are deposited into OSU development accounts and are then subject to the same scrutiny and control
as all other funds. However, they generally are included in Athletics’ budget estimates for current use development funds.

3. **Describe the process used in selecting the independent auditor for the institution’s external financial audit for intercollegiate athletics, including any methods used to ensure the independent nature of the auditor. Also describe relevant corrective actions planned or implemented from the three most recent external audits.**

   The Director of OSU Internal Audit provided the subcommittee with a narrative description of the process used to select an independent external auditor. This description is in Fiscal Attachment 7. This narrative indicates that the process used to select an independent auditor is the process that is called for by the Auditor of the State of Ohio. A University group participates in the process and makes a recommendation; however, it is the Auditor of State who awards the external audit contract. Copies of the Request for Proposals (RFP) used, and the Deloitte & Touche work plan are also attached in Fiscal Attachments 8 and 9. Pages 12 and 17 of the RFP are the pertinent pages relating to Athletics. According to the Director of OSU Internal Audit, no substantive corrective actions were noted in the three most recent audits.

4. **Describe the ways in which your institution approves expenditures for intercollegiate athletics, including a description of different procedures based on various sources of funding (e.g., state funds vs. restricted/foundation funds).**

   Once athletics budgets are approved, the Department is expected to manage within this budget. All expenditures are to follow OSU policies and procedures. Specific expenditures are entered into the University administrative system and then are routed to the appropriate administrative office such as Purchasing or Human Resources where they are reviewed for adherence to University policies. OSU Purchasing and Human Resource policies can be reviewed respectively at the following web sites: [http://www.osupurchasing.com/] and [http://hr.osu.edu/hrpmgr2.htm].

   FISCAL INTEGRITY 6
In addition, a September 2000 Memorandum of Understanding (MOU) created a new reporting structure for the Department of Athletics and called for monthly meetings of the Director of Athletics with the President and also with the Executive Assistant to the President. At the latter set of meetings, the Director of Athletics advises the Executive Assistant of all important issues, plans, transactions, and occurrences within Athletics. Also, the Senior Vice President for Business and Finance works closely with and meets monthly with the Associate Athletic Director for Finance and Administration to review Athletics’ budgets, financial projections, and pending or proposed construction projects. The Senior Vice President also exercises approval authority for all financial matters. A copy of the MOU is in Fiscal Attachment 10.

5. Please attach copies of the management letters (or executive or management summaries) of the institution’s three most recent external (those used to satisfy the annual independent financial audit requirement in Constitution 6.2.3.1) and internal (if any) financial audits for intercollegiate athletics.

Copies of the management letters of the institution’s three most recent external and internal audits are in Fiscal Attachment 11. Reports for fiscal years 2000, 2001, and 2002 are included. The three most recent “Reports on Application of Agreed-Upon Procedures to Statements and Records of Booster Organization Expenditures for or in behalf of the University’s Department of Athletics” are also in this attachment.

The Director of OSU Internal Audit indicates that every third year, the University’s Office of Internal Audit conducts an in-depth review of Athletics and their financial records. The next of these is due to occur during FY03. A copy of the audit completed in December 2000 is enclosed in the noted attachment.

During the three-year interim, Internal Audit conducts targeted reviews of potentially high-risk areas. They work with the OSU Compliance Office to identify high-risk rules.
compliance areas, and they work with the Associate Athletic Director for Administration and Finance and her staff to identify high-risk financial areas. For example, in 2002, they were asked to review the procedures for book distribution and collection, and the assessment of fines for late returns for student athletes who receive grant-in-aid for books. Also, in 2002, they reviewed student-athlete financial aid for the academic year 2001-2002.

The Director of Internal Audit also indicates that his office has not discovered any significant findings, and that Athletics appears to have good financial controls in place. A summary of Audit Activity for fiscal years 1999, 2000, and 2001 for the Department of Athletics was prepared by the Director and is included in Fiscal Attachment 12.

In February 2000, Guidelines for Athletic Support Groups were established for the operation of existing, and newly formed Athletics’ support groups. To ensure compliance with these guidelines, all such groups must register with the Department to be acknowledged as a support group. A copy of the guidelines is included in Fiscal Attachment 13.

**Operating Principle**


**Self-Study Items**

1. Explain the institution’s philosophy with respect to the funding of the athletics program.

The institution’s position is that Athletics is a self-sustaining auxiliary operation that must adhere to the same rules and guidelines that apply to all auxiliaries. In the University’s Guidelines for Earnings Operations (Fiscal Attachment 5), an auxiliary is defined as a totally self-supporting entity whose customers are students, faculty, staff, or the general public. Its services are considered ancillary to the institution. Once Athletics budgets have been reviewed and approved by the University, they are expected to adhere to it.
To ensure prudent management and fiscal practices, a number of reviews take place regularly. Most of these are beyond what is normally required of other University entities.

In accordance with the September 2000 MOU described above (Fiscal Attachment 10), the Associate Athletic Director for Finance and Administration meets monthly with the OSU Senior Vice President for Business and Finance, the Budget Planning Analyst from the Office of Resource Planning, and the Assistant to the Vice President for Business and Finance. These meetings focus largely on the status of Athletics’ budget, the financial activity to date, and any significant variations between the two. Any potential problems are discussed and a means to address such problems are discussed.

The Senior Vice President for Business and Finance then reports on the state of Athletics quarterly to the University President and the OSU Board of Trustees. The Director of Athletics and the Associate Athletic Director for Administration and Finance also report annually to the Board of Trustees’ Athletics Committee.

Internal to Athletics, the Associate Athletic Director for Administration and Finance meets monthly with the Director of Athletics and the three Associate Athletic Directors for sports to review the budget status of each area and to identify any emerging problems that need to be addressed. At this meeting they review the Operating and Detailed budget reports that are described in item 2 below.

The Associate Athletic Directors for sports then meet regularly with their coaching staff and discuss any budget issues when needed. The Associate Athletic Director for Administration and Finance meets with the directors of operational areas to discuss any budget concerns for their operations.

As described under item 2 below, monthly budget and financial reports are prepared, including a sport-by-sport report, to ensure that the Athletic Directors and their coaches receive
timely financial reports that are in an easy-to-use format. Each of the reports is shared monthly with the three Associate Athletic Directors who oversee sports.

The respective coaches or administrative heads of each unit also receive monthly summary reports on the financial status of their accounts. They also receive a detailed report from the University’s financial reporting system that indicates all expenditures. It is each coach’s and department director’s responsibility to review these reports and to report any inconsistencies or errors that they might note.

2. Using the institution’s established budgetary format, prepare a list of both projected and actual athletics revenues (by source) and expenditures (by budget category) for the three most recently completed fiscal years. In doing so, make sure that all athletics administrative costs are included. Provide any revenues and expenditures on a sport-by-sport basis.

Three sets of reports are prepared monthly and at year-end by the Associate Athletic Director for Administration and Finance to provide different levels of detail on Athletics’ budgets and financial status for various levels of oversight. These are used in the meetings described above. Each of these reports uses information provided by the OSU financial system. These reports are in addition to the many standard reports available from that system. The year-end summary of each report is included in the attachments as described below.

The Operating Report (Fiscal Attachment 14) provides the highest level of information on the overall status of Athletics’ resources and expenditures. It indicates major sources of funding and major categories of expense in total.

A second report, “The Sports & Non-Sports Units Monthly Summary Report,” provides more detailed, but still summary level, information on each organizational unit within Athletics. It provides a one-line view of each sport and other non-sports units within Athletics. This report focuses on the operating budgets and corresponding expenditures that coaches and non-sports unit heads manage; it also includes a section on the total resources and expenditures attributable
to each sport and non-sports unit. For example, the latter section shows staffing costs for each sport which are attributable to a sport but not under the control of that sport’s coach. (See Fiscal Attachment 15)

The third type of report, a Detailed Unit Report, pulls information from the University’s financial system but was developed in an easier-to-read and easier-to-understand format for use by coaches and other unit heads. This report provides a month-by-month report on revenues and expenditures by category. (See Fiscal Attachment 16 for an example of this report.)

The Multi-Year Budget To Actual Comparison report provides the same information as that found on the Operating Report but provides it for multiple years. (See Fiscal Attachment 17).

In addition, there are many standard OSU financial reports that provide various types of financial information. In particular, a roll-up (summary) report provides updates on budgets versus actual financial activity, and another report provides transaction-by-transaction detail. The roll-up report is called the GLU0070S-90 Report and the transaction detail report is called the GLU0040S-91 Report. The Associate Athletic Directors and their coaches also receive copies of these reports. (Fiscal Attachment 18 provides examples of these reports.)

The financial reports prepared by the Associate Athletic Director of Administration and Finance are reconciled monthly to a standard University-generated report, the AMO61. In addition, an OSU Budget Planning Analyst and the OSU Associate Controller work with the Associate Athletic Director for Administration and Finance annually to confirm that her reports reconcile to the OSU standard reports in total.

In addition, many coaches or areas have development (gift) resources to manage. Those with significant amounts have separate University funds set up while other smaller gifts are maintained in a central Athletics fund. The Assistant Athletic Director for Business provides the
University financial reports to coaches on a monthly basis for the larger ones, and provides a report that he generates on the status of these funds to those with the smaller amounts of funding.

3. **Describe the institutional procedures that are in place to address any deficit in the intercollegiate athletics budget incurred during any fiscal year(s).**

As mentioned above, the University expects Athletics to adhere to its budget; thus, any operating deficits that may occur are the responsibility of the Department of Athletics to address from reserves or from future earnings. The monthly meetings conducted by the Senior Vice President for Business and Administration are intended in part to identify any emerging problems and to allow time to address these problems in a timely manner.

Internally, Athletics expects the Associate Athletics Directors for Sports to be responsible for meeting with coaches who are either in a fiscal deficit or heading in that direction, and to find ways to address any concerns early in the development of those potential fiscal problems. For operational and administrative areas, the Associate Athletic Director for Administration and Finance will meet with the department directors with identified budget concerns to address corrective measures and assure budget compliance. This is one purpose of the monthly meetings held with this group. In some cases where other strategies for resolution were unavailable, Athletics has deducted any budget overages from the discretionary (development) accounts or camp budgets that may be available for a specific sport or area. This is a meaningful disincentive for sports incurring deficits.

4. **Outline the sources, uses and amounts of subsidization of the intercollegiate athletics program from nonathletics department and/or noninstitutional sources.**

There are no subsidies provided by the University. The Department of Athletics receives no general funds support, tax dollars or student fees. The Department of Athletics pays the full
in- and out-of-state cost of grants in aid, and pays full costs for all University services it receives. Athletics, as well as the rest of the University’s earnings operations, is assessed a 5.8% overhead charge on all earned revenue less the cost of goods. Athletics also transfers an annual “cost containment” amount to the University general fund to support the academic budget as part of an ongoing University initiative that began in the 1980s. This amount is roughly 1.8% of Athletics’ operating budget. Booster contributions are included in revenue shown in Fiscal Attachment 2 and discussed under Operating Principle 3.1.

The Department of Athletics sponsors an annual NYSP (National Youth Sports Program) each year. That program generally receives a funding amount from the NCAA of approximately $90,000, which covers approximately 40% of the cost of the program. Additionally the lunch and snack meals provided to youth in the program are provided through the federal meal program for low income youth. The balance of funding for this initiative is provided by the Department of Athletics.

The Department of Athletics does have the opportunity to include its capital projects in the tax-exempt bond packages that the University issues for capital projects. This allows the Department of Athletics to receive the same bond ratings and interest rate that the University receives.

5. Identify the sources, uses and amounts of athletics department surplus and/or reserve funds.

Athletics has accumulated contingency reserve accounts with balances of $1.67 million and a non-cash asset of $2.0 million as of June 30, 2002. The non-cash asset is shares in the University Total Return Fund, a variable investment mutual fund managed by the University’s Office of the Treasurer. Athletics deposits additional funds each year from its operations into its Contingency Reserves to fund possible, unplanned liabilities. The goal of the Department of
Athletics is that the size of this reserve should total no less than 10 percent of its operating budget; the Department is working consistently to build the reserve.

6. Describe how the university will accommodate future financing needs of the intercollegiate athletics program or plans to respond to changing conditions based upon the institution’s future financing projections.

From a capital point of view, the OSU Office of Resource Planning reviews a set of ratios that compares Athletics’ current outstanding debt to revenues being generated regularly. The Budget Planning Analyst watches over these ratios to make sure that they do not reach unacceptable levels. This includes a process in which ticket prices are projected. Any future financing needs will be analyzed carefully by the Office of Resource Planning to ensure that Athletics does not exceed its ability to support and pay off its debt. The University will expect Athletics to be responsible for all future debt.

7. After reviewing the institution’s Equity in Athletics Disclosure Act survey forms for the three most recent years for which the information is available, comment on the institution’s provision of full and stable opportunities to student-athletes. In particular, provide comment, sport-by-sport, on per diem, transportation, equipment, percentage of sport budget that has to be obtained via fundraising and other applicable comparisons. Analyze, explain and address any significant discrepancies.

A review of the Equity in Athletics Disclosure Act survey forms for the last three years indicates that the OSU Department of Athletics has demonstrated that its management and fiscal practices assure financial stability to provide all student athletes with relatively full and stable opportunities for athletics participation. The Department of Athletics has 35 sports. Of these, 33 sports receive full grant-in-aid funding up to the allowable amounts. Two sports, pistol and rifle, have historically not received grant-in-aid funding. Copies of these reports are in Fiscal Attachment 19.
The department’s five-year budget plan is based on funding all programs at their current level. Annual budgets are prepared on the premise of providing funding that will allow competitive participation of all 35 OSU sports, regardless of gender makeup or revenue-generating capability. Budgets for sports do not expect nor assume any fund-raising to be done by any sport.

Equity issues between men’s and women’s sports are reviewed annually to ensure fair and equitable distribution of resources. Some of the results of past reviews have led to the establishment of new sports programs such as Women’s Crew, Women’s Ice Hockey, and Women’s Lacrosse.

Per diem rules are consistent and applicable to all sports. They are based on guidelines included in the University’s overall travel policy which are based on Federal Meal and Incidental Expenses Per Diem Rates. These can be found by going to the OSU Travel web site for travel policies related to meals: [http://www.busops.ohio-state.edu/travel/osu.htm]. The per diem is based on the location to which the coach or athlete will be traveling; a per diem never has a value of less than $25 per day for a full day’s per diem per athlete.

With regard to transportation, travel budgets are submitted by the individual coaches of sports and are based on the needs, schedules, and specific logistics of each sport. Occasionally, a booster would like to pay for charters for sports such as men’s baseball. This payment, however, is counted in the overall travel expenditure distribution of funds when evaluating equity issues.

With regard to equipment, it is the intent of the Athletic Department to provide the best equipment available to all sports. The primary goal is to protect the athlete and to facilitate superior performance. Equipment budgets are submitted by each of the respective sports and are fully funded as part of the Department of Athletics’ budget. It is the expectation of the
department’s five-year plan that such funding will continue. In addition, the University has a contract with Nike that provides equipment, primarily clothing, for all 35 sports.

8. Please attach a copy of Part II of the institution’s NCAA Sports Sponsorship Report for the three most recent academic years.

Copies of the NCAA Sports Sponsorship Report for the three most recent academic years are attached in Fiscal Attachment 20.

**Operating Principle**


Self-Study Items

1. Describe the policies and standard operating procedures that help to ensure that all expenditures for athletics are handled in accordance with NCAA, conference and institutional rules.

In addition to the manual and reference guide described under item 2, below, the Department of Athletics has a proactive compliance education effort, and its Compliance Office closely monitors any applicable expenditures to ensure compliance with NCAA, conference, and institutional rules.

As part of its educational effort, each year, the Athletic Compliance Office provides a Coaches Guide to Compliance to all new coaches in the Department of Athletics. All new coaches also undergo an “education/training” session regarding compliance issues, and fiscal policies are included in that session. The Department of Athletics also conducts monthly coaches meetings, and “compliance” is on the agenda for each meeting. The meetings are video-taped, and absent coaches must review the tapes when they return. Coaches’ education meetings always include discussion of issues of compliance as well as a pop quiz on compliance.
Additional educational information on compliance is distributed from the University Compliance Office via campus mail or hard copy. About 600 questions per year arise on issues that need interpretation. Records of these interpretations are kept on file in chronological order for review. The interpretations are then transferred into a database which can be used to review questions asked in previous years or by certain coaches or staff. These constitute part of the continuing education provided for coaches. This also helps assure consistency in the interpretations of particular situations, but also assures that any changes in interpretations are known.

The Department of Athletics expects student-athletes to attend a power point presentation twice a year (autumn and spring) about NCAA rules and regulations. For certain sports, students must also sign affidavits that they did not participate in gambling or agent activities if they are selected to participate in post-season competition. These sports include men’s and women’s basketball, men’s ice hockey, and football. Coaches are held accountable by requiring them to maintain weekly recruiting logs for all telephone calls, unofficial visits, contacts, and evaluations of prospective student-athletes. These logs are submitted to the Compliance Office where they are reviewed and then filed, sorted by coach and by sport.

Databases of the logs are maintained for the following: any contact of prospects at home, at a restaurant, or after a game; evaluations of prospects; telephone calls; mailings; and official and unofficial visits. These databases are kept because the above-mentioned aspects of the recruitment process are strictly regulated and these databases facilitate the monitoring of adherence to them. Also, all 35 sports are provided with recruitment calendars with sport-specific rules and regulations.

The Department of Athletics strictly regulates other “benefits” to athletes which are allowable. For example: four complimentary admissions are provided to every game where an
athlete is eligible to compete and six such admissions are provided for NCAA championships or bowl games. However, these are not “hard” tickets as student-athletes must provide the names of people who will then be granted permission to attend the event. Following that, each attendee must show an ID and the athletes must fill out forms in advance with the names, phone numbers, and their relation to the designated people. A majority of the football student-athlete’s forms are audited every week by the Athletic Compliance Office; detailed logs of these audits are maintained.

While an athlete is traveling to an away-from-home contest (and during official visits), incidental expenses, such as phone bills and movie charges, are not permitted; the Athletic travel office reviews hotel bills and brings any concerns to the Athletic Compliance Office.

Freshmen and student-athletes serving their first year of residence at Ohio State who receive a full athletic grant-in-aid cannot work (NCAA rule) except during official vacation periods during the academic year. Student-athletes who have spent one year in residence at Ohio State are permitted to work during the academic year but have limits on earnings. As a result, students must get permission from and register the job with the Athletic Compliance Office. During the summer, coaches may help student-athletes find jobs, but employment forms must be filed by the student-athlete and employers; the situation is monitored and documented.

Beyond items noted above, additional reviews of some categories of expenditures are conducted by the Compliance Office. For example, all camp counselor payments are cross-checked to ensure that student athletes who are working at camps are paid within NCAA, conference, and institutional rules. Beyond the databases noted above, all recruiting expenditures are also cross-checked by the Compliance Office for adherence to rules, and expenditures for awards are closely monitored to ensure compliance with allowable NCAA limits.
Due to its vigilance and commitment to compliance through proactive education and expenditure monitoring, the Department of Athletics has had no major violations in the past five years. About 50 secondary violations are reported to the NCAA each year; these are fairly well dispersed across the 35 sports. It is believed that this magnitude is not unusual from the Big Ten Conference standpoint. The Executive Compliance Subcommittee decides what corrective action is needed in each case; they use the NCAA standard, “not what the coach knew but what he/she should have known,” to determine the corrective action. About half of the violations are self-reported. The Athletic Compliance Office compliments a staff member or coach if the violation is reported from within. With regard to consequences, their goal is to have a set of corrective or educational actions rather than solely punitive actions. For more on Compliance procedures, see Governance and Commitment to Rules Compliance, pages 10-14.

2. Describe or attach a copy of the university’s policies and standard operating procedures for ensuring that prospects do not receive recruiting inducements and enrolled student-athletes do not receive extra benefits contrary to NCAA, conference and institutional rules, including (a) identification of person(s) responsible for these areas, (b) means of monitoring compliance with these rules and, (c) means of ensuring that only institutional or athletics department funds are expended in these areas.

A copy of the Compliance Manual produced by the OSU Department of Athletics is attached in Governance Attachment 11. This manual documents OSU policies and procedures for monitoring for compliance with NCAA, Big Ten, and institutional rules and regulations. This manual is updated annually to reflect any needed changes. It is very detailed and covers all 35 sports and various situations. In particular, it contains policies that help to ensure that all expenditures for athletics are handled in accordance with NCAA, conference, and institutional rules. While there are general, common features, the details of these policies vary from sport to sport. A copy of the Coaches Guide to Compliance is available for review in Governance Appendix 6.
In addition, the OSU Compliance Office published a “Quick Reference Guide to NCAA Rules and Regulations,” which is routinely distributed to alumni, boosters, student-athlete employers, and friends. This guide does not include all applicable situations, but provides a basic overview of the most essential rules. It also provides contact information for the compliance office should there be additional questions. A copy of the Quick Reference Guide is attached in Governance Attachment 9.

**Sub-Committee for Fiscal Integrity Procedures**

The Fiscal Integrity Subcommittee met six times as a group, but also did a great deal of additional work in three working groups. The working groups were organized around sets of questions identified in the self-study instrument. They included a working group on Financial Information, on the Equity in Athletics Disclosure Act Survey Forms, and on Monitoring Documents and Procedures. Members of the Subcommittee signed up for at least one of the three working groups, and some members were on two groups. Each group then reported to the Subcommittee on their findings.

The Subcommittee invited guest speakers to address specific topics and issues posed in the self-study instrument. Susan Henderson, Associate Athletic Director for Business and Administration, led several discussions on the Department of Athletics revenue sources, budget development, and fiscal management. Stephen Finn, OSU Resource Planning Analyst, met with the group to discuss the budget approval process, budgetary reviews, the approval of expenditures, and philosophies related to the funding of athletics programs. Kevin Patton, Director of OSU Internal Audit, met with the Subcommittee to describe the process used to hire an independent auditor and provided an overview of recent internal audits. Individual interviews
were held by the vice chair of the subcommittee with Tom Ewing, Associate University controller, with Lee Walker, Director of OSU Budgets, and with Finn and Patton.

The working group on Financial Information met with Susan Henderson to review and analyze the budgetary and management reports that she compiles regularly in advance of the Subcommittee’s meeting on this topic. The working group on the Equity in Athletics forms met as a group to review the reports from the three most recent years. At a meeting of the Subcommittee, the convener of this group reported on the group’s evaluative comments on Athletics’ provision of full and stable opportunities to student-athletes. The third group met with Heather Lyke Catalano, Associate Athletic Director for Compliance, and Pete Hagan, Assistant Athletic Director for Finance. They reviewed selected monitoring records and procedures that are related to ensuring that impermissible recruiting inducements are not provided and that all expenditures are handled consistently with NCAA, conference, and institutional rules. At a meeting of the Subcommittee, the convener of this group reported their findings.

In its December meeting, the Subcommittee reviewed an early draft of the Subcommittee’s report. The members were asked to respond to each question listed under the Evaluation and Plan for Improvement. The Subcommittee agreed that each individual question should be answered with a “yes.”
3.1. Financial Practices

Does the institution demonstrate that:

<table>
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<tr>
<th>Currently Yes</th>
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<th>Currently No</th>
<th>If Currently No or If Deficiencies Exist, Indicate Plan For Improvement Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. All funds raised for and expended on athletics are subject to institutionally defined practices of documentation, review and oversight?</td>
<td>X 2-5</td>
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<tr>
<td>b. All expenditures from any source for athletics are approved by the institution?</td>
<td>X 6</td>
<td></td>
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<tr>
<td>c. Budget and audit procedures for athletics are consistent with those followed by the institution generally and with the provisions of NCAA Constitution 6.2?</td>
<td>X 2-5, 5-7</td>
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<tr>
<td>1. The institution’s annual budget for athletics is approved by the institution’s chief executive officer or designee from outside the athletics department?</td>
<td>X 5</td>
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</tr>
<tr>
<td>2. An annual financial audit is performed by a qualified auditor who is not a staff member of the institution and who is selected by the chief executive officer or designee from outside the athletics department?</td>
<td>X 5-6</td>
<td></td>
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</tbody>
</table>
On the basis of the yes/no answers above, is the institution in substantial conformity with Operating Principle 3.1 (Financial Practices)?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
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**3.2. Fiscal Management and Stability.**

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Does the institution provide evidence that the management and fiscal practices of the institution assure the financial stability necessary for providing all student-athletes with relatively full and stable opportunities for athletics participation?

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<th>X</th>
<th>8-15</th>
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On the basis of the yes/no answers above, is the institution in substantial conformity with Operating Principle 3.2 (Fiscal Management and Stability)?

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FISCAL INTEGRITY

23

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</table>

Does the institution demonstrate that it has in place fiscal policies and standard operating procedures to ensure that:

- a. Prospective student-athletes are not provided with impermissible recruiting inducements?  
  | X | 16-18 |   |                           |

- b. Enrolled student-athletes are not provided with benefits that are expressly prohibited by NCAA legislation?  
  | X | 16-18 |   |                           |

- c. All expenditures for athletics are handled consistently in accordance with NCAA, conference and institutional rules?  
  | X | 16-18 |   |                           |

On the basis of the yes/no answers above, is the institution in substantial conformity with Operating Principle 3.3 (Established Fiscal Policies and Procedures)?

<table>
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</table>
**Fiscal Attachments Included in Report**

1. Sources of Revenue Under Direct University Control
2. FY 2002 Operating Revenue Sources by Line Item
3. Fund Group Summary of Assets, Liabilities, and Equity (GLU0030S-61)
5. Guidelines for Earnings Operations, January 1, 2002
6. FY 2002-03 Budget Template for Women’s Basketball
7. External Auditor Selection Process
9. Summary of Work Plan by Proposed Area of Segmentation, Deloitte & Touche
10. Athletics Reporting MOU, September 2000
11. Three Most Recent External and Internal Audit Reports
12. Summary of Audit Activity for three previous years, as of 6/25/02
13. Guidelines for Athletic Support Groups
15. The Sports and Non-Sports Units Monthly Summary Report
16. Detail Unit Report as of June 2002 for Women’s Basketball
17. Multi-Year Budget to Actual Comparison
18. OSU Financial Reports: Budget Versus Actual- Management Level (GLU6060S-90); Revenue and Expense – Budget Versus Actual (GLU0070S-90); Revenue and Expense Transaction Detail (GLU0040S-91).
Fiscal Attachments Included in Report (continued)

19. Equity in Athletics Disclosure Act Reports
20. NCAA Sports Sponsorship Reports for the Three Most Recent Years.
21. Membership of Fiscal Integrity Subcommittee

Fiscal Appendix Available for Review

2. Copies of Athletics staff members’ most recently completed and signed statements on income and benefits from outside the institution.